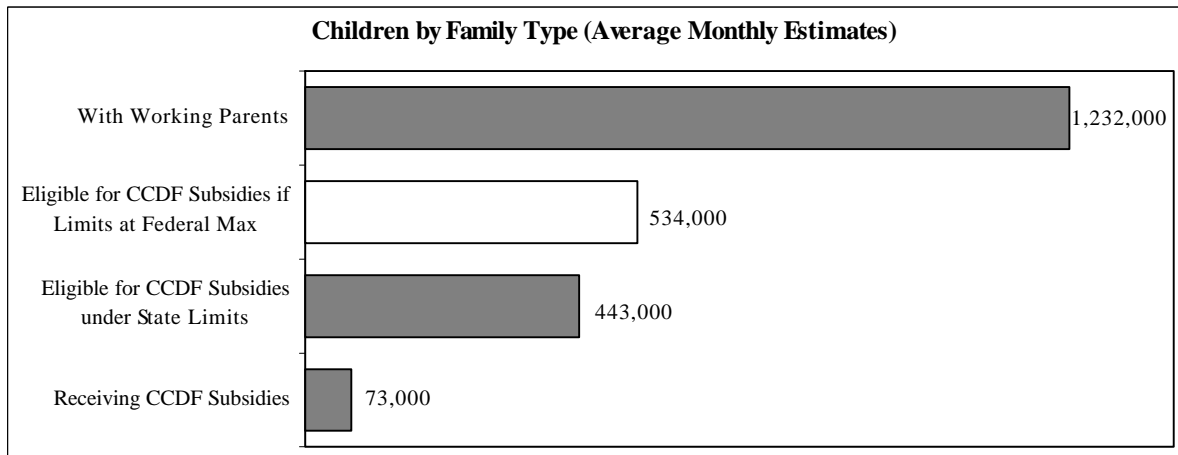


# Child Care in Pennsylvania: A Short Report on Subsidies, Affordability and Supply

This report summarizes recent child care information for the state of Pennsylvania. The first section provides new information on child care subsidies, based on eligibility estimates generated by the Urban Institute and state administrative data reported to the U.S. Department of Health and Human Services (HHS). The second two parts, on affordability and supply, draw on state and local data collected by the Urban Institute during the summer of 1999 under contract with HHS. A companion document to the national report entitled “Access to Child Care for Low-Income Working Families,” the Pennsylvania report is one in a series of nine state reports.

## I. Child Care Subsidies

**Figure 1. Child Care and Development Fund (CCDF) Eligibility and Receipt in Pennsylvania**



Sources: Urban Institute simulations and state administrative data reported to the Child Care Bureau.

- ❑ **1,232,000** children under age 13 (or under age 18 if disabled) live in families where the family head (and spouse if present) is working or is in an education or training program, as shown in Figure 1. Children across all family income levels are included in this estimate. Most of these children (1,167,000) are under age 13 and living with working parents.<sup>1</sup>
- ❑ **443,000** of these children, and 266,000 families, are estimated to meet Pennsylvania’s income guidelines for child care assistance under the Child Care and Development Fund (CCDF) October 1997 state plan. The eligibility estimate would be even higher – **534,000** children – if Pennsylvania raised income eligibility limits to 85 percent of State Median Income, the maximum level allowed under Federal law.<sup>2</sup>
  - To be eligible under Pennsylvania’s October 1997 state plan, a family of 3 had to have income below **\$31,320**, or **74** percent of State Median Income.
  - More than three-fourths of eligible children (77 percent) live in families with annual income below 200 percent of the Federal poverty threshold and over one-quarter (27 percent) are living in poverty. About 10 percent live in families that report receiving cash welfare.
  - Most (389,000) eligible children are under age 13 with working parents; the remaining children have parents in education/training programs or are disabled youth under 18.

- ❑ **73,000** children in Pennsylvania received child care subsidies funded by CCDF in an average month in 1998. This estimate suggests that 16 percent of the eligible population under state limits (and 14 percent of children who would be eligible under the Federal maximum limits) were served with CCDF funds. In addition, Pennsylvania's state administrative data system indicates that about 9,000 children were served with other Federal and state funds.<sup>3</sup>
- ❑ The Child Care and Development Fund (CCDF) is the major source of Federal funding allocated to states to subsidize the child care expenses of low- and moderate-income families so they can work, or attend education or training programs. Using CCDF dollars along with state funds, Pennsylvania has designed its own child care program within broad parameters specified under federal law. CCDF-funded subsidies, and the number of children that the state reported were served with these subsidies, are highlighted in this report because CCDF is a primary source of funding in most states. Also, CCDF administrative data is the most comparable source of child care data across states. It should be noted, however, that Pennsylvania, like many other states, also uses other funding sources to provide child care subsidies.
- ❑ The state of Pennsylvania has **multiple waiting lists** for child care subsidies. Families that do not enter the child care system through the welfare system or do not have a child with special needs are most likely to be put on waiting lists. Children may be on a waiting list for one day or for several months. As of June 30, 1999, there were **4,764** children on the waiting list for subsidies in Pennsylvania. This number includes **1,530** children on the waiting list in Philadelphia and **940** children in Pittsburgh. By September 1999, Pennsylvania reduced the statewide waiting list by nearly 1,000 children to **3,776**.<sup>4</sup>
  - In addition, state staff believe there are eligible families that do not apply for subsidies. This belief is corroborated by staff from Child Care Partnerships, a child care resource and referral agency that serves the Pittsburgh area.
  - The number of families applying for subsidies has more than doubled since Pennsylvania increased its funding for child care subsidies in February, 1999.

## II. Affordability<sup>5</sup>

- ❑ Prices for child care vary considerably, by such factors as geographic area, type of provider and age of child. Figure 2 shows the average monthly prices for child care in Pittsburgh and Philadelphia, Pennsylvania. Given that these are average prices, it is clear that many families pay more or less than this amount.
- ❑ Centers in Pittsburgh charge an average of **\$490** per month for preschool care and **\$589** per month for infant care, as shown in Figure 2. This means that a family with \$15,000 in income and one preschool child in an average-priced center would spend close to two-fifths (39 percent) of its total monthly income on child care expenses. Average-priced infant care would represent an even higher share (47 percent) of monthly income for a family earning \$15,000.

- Accredited care costs even more, **\$550** per month for a preschooler in center-based care, or about 44 percent of family income for families with \$15,000 in income.\* Families with an infant in an accredited center would pay **\$680**, or more than half (54 percent) of family income for families earning \$15,000.
- Centers in Philadelphia charge even more per month for care, particularly for infants. Average-priced preschool center care costs **\$494** a month, or about 40 percent of monthly income for a family earning \$15,000. If this low-income family had an infant, rather than a preschooler, in average-priced center care, the **\$620** per month price would consume 50 percent of the family's total income.

**Figure 2. Child Care Prices and Co-Payments for Hypothetical Pennsylvania Families of Three Earning \$15,000 with One Child in Care**

|  | WITHOUT SUBSIDY                         |  | WITH SUBSIDY                              |   |
|--|---|--|---|---|
|  | Average Monthly Prices (Full Time Care) | % of Income (Family Income of \$15,000 Annually) | Monthly Co-Payments* (If receive subsidy) | % of Income* (Family Income of \$15,000 Annually) |
| <b>FAMILY LIVING IN PITTSBURGH, PENNSYLVANIA</b>   |   |  |   |   |
| <b>INFANT (1 year)</b>                             |   |  |   |   |
| Center-based                                       | \$589                                   | 47.1%  | \$108                                     | 8.7%  |
| Accredited center-based                            | \$680                                   | 54.4%  | \$108                                     | 8.7%  |
| Family child care home                             | \$481                                   | 38.5%  | \$108                                     | 8.7%  |
| <b>PRESCHOOLER (4 years)</b>                       |   |  |   |   |
| Center-based                                       | \$490                                   | 39.2%  | \$108                                     | 8.7%  |
| Accredited center-based                            | \$550                                   | 44.0%  | \$108                                     | 8.7%  |
| Family child care home                             | \$455                                   | 36.4%  | \$108                                     | 8.7%  |
| <b>FAMILY LIVING IN PHILADELPHIA, PENNSYLVANIA</b> |   |  |   |   |
| <b>INFANT (1 year)</b>                             |   |  |   |   |
| Center-based                                       | \$620                                   | 49.6%  | \$108                                     | 8.7%  |
| Accredited center-based**                          | NA                                      | NA   | \$108                                     | 8.7%  |
| Family child care home                             | \$446                                   | 35.7%  | \$108                                     | 8.7%  |
| <b>PRESCHOOLER (4 years)</b>                       |   |  |   |   |
| Center-based                                       | \$494                                   | 39.5%  | \$108                                     | 8.7%  |
| Accredited center-based**                          | NA                                      | NA   | \$108                                     | 8.7%  |
| Family child care home                             | \$407                                   | 32.6%  | \$108                                     | 8.7%  |

\* State policy does not prevent providers from charging parents additional amounts, above the co-payment, if the providers' rates exceed the state reimbursement level.

\*\* Accredited prices were not available for Philadelphia due to small sample sizes.

Source: Data collected by the Urban Institute from Child Care Partnerships and Philadelphia Child Care Resources South/Center City, child care resource and referral agencies serving Pittsburgh and Philadelphia, respectively, summer 1999.

\* Providers are accredited by national organizations based on criteria designed to measure quality. Accreditation is one indication that a provider has a demonstrated commitment to providing quality care.

- ❑ Family child care homes in Pittsburgh, Pennsylvania charge an average of **\$455** for preschool children and **\$481** per month for infants. This means that a family with \$15,000 in income and one child in an average-priced family child care home would spend 36 percent of its monthly income on care for a preschool child or 39 percent of income for an infant. A family in Philadelphia with the same annual income using average-priced family child care would spend 33 percent of its monthly income (**\$407** per month) for preschool care or 36 percent (**\$446** per month) for an infant.
- ❑ Families who receive child care subsidies usually pay much smaller monthly **co-payments** rather than the full market rate. Such co-payments are established under a sliding fee schedule, and are based on family size and income.
  - For example, a family with \$15,000 in income and one preschooler or infant in an average-priced center in Pennsylvania would be charged a monthly co-payment of \$108, or 8.7 percent of monthly income, as shown in Figure 2.
  - In Pennsylvania, welfare recipients in an unpaid work activity, or employed but yet to receive a paycheck, are exempt from paying a co-payment.
- ❑ State policy does not prevent providers from charging parents additional amounts, above the co-payment, if the providers' rates exceed the state reimbursement level. For example, the maximum CCDF rate for preschool center care in Pittsburgh is \$453 per month<sup>6</sup>, which is \$37 less than the \$490 average price shown in Figure 2<sup>\*\*</sup>. If the \$37 differential is paid by the family, the total cost to the family is \$145 per month, more than the official co-payment of \$108 shown in Figure 2. If the fee is not charged to the family, the provider loses \$37 per month for providing service to a subsidized child. The differential could be much larger than \$37 for some child care centers, including accredited centers and other centers with higher than average rates.

### **III. Gaps in Child Care Supply**<sup>7</sup>

- ❑ Not all providers in Pennsylvania accept children who receive subsidies. For example, among the providers in the Philadelphia Child Care Resources South/Center City database, 80 percent of centers, 70 percent of family child care homes, and 61 percent of group child care homes accept subsidies.
  - According to the state plan for 1997-1999, maximum reimbursement rates in Pennsylvania are capped at the 75<sup>th</sup> percentile of market rate. Providers may be unwilling to accept subsidized children, or may limit their enrollment, when the state reimbursement rates are lower than their prices (see the example in section II). As a result, families receiving subsidies may have limited choices of caregivers.
- ❑ Staff from a resource and referral agency serving Pittsburgh report shortages in the supply of infant and toddler care in certain areas. There are also shortages of school-age care, especially in suburban areas, and shortages throughout the county of care for children who have special needs or are ill.
- ❑ The state of Pennsylvania initiated a program for assessing and building child care capacity, and enhancing quality in May of 1998. A provider survey and assessment of needs was

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<sup>\*\*</sup> Effective January 1, 2000, Pennsylvania will increase its reimbursement rates by an average of 14 percent.

conducted in June 1998 with an additional survey planned for January 2000. Results from the survey in 1998 showed inadequate capacity for school-aged care in all counties.

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### Sources

<sup>1</sup> Estimate based on microsimulations using the Urban Institute's TRIM3 model, guidelines in the state's 1997-99 CCDF state plan, and three years of Current Population Survey data (calendar years 1995-97).

<sup>2</sup> *Ibid.*

<sup>3</sup> Estimates based on state administrative data reported to the Child Care Bureau and adjusted to reflect children funded through CCDF only. 1998 figures based on April-September 1998.

<sup>4</sup> Waiting list data were obtained and compiled by the Urban Institute from the Pennsylvania Department of Public Welfare, the state child care agency.

<sup>5</sup> Information in this section was obtained and compiled by the Urban Institute from the Pennsylvania Department of Public Welfare, Child Care Partnerships (a child care resource and referral agency serving Allegheny County (Pittsburgh)) and Philadelphia Child Care Resources South/Center City (a child care resource and referral agency serving the Philadelphia area).

<sup>6</sup> State maximum rates were obtained and compiled by the Urban Institute from the Pennsylvania Department of Public Welfare, summer 1999.

<sup>7</sup> Information in this section was obtained and compiled by the Urban Institute from Child Care Partnerships.